

## Message Text

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70

ACTION AF-06

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-02 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

FEA-01 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04

OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

CU-04 EUR-12 /124 W

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R 151333Z MAY 75

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 1894

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMEMBASSY GABORONE

AMCONSUL JOHANNESBURG

AMEMBASSY MASERU

AMEMBASSY MBABANE

USDEL MTN GENEVA

AMEMBASSY PARIS

UNCLAS PRETORIA 1783

PARIS FOR OECD

CAPE TOWN ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: SF, EGEN

SUBJ: ANGLO AMERICAN CHAIRMAN'S COMMENTS ON SOUTH AFRICAN

ECONOMY

1. HARRY OPPENHEIMER, CHAIRMAN OF THE GIANT ANGLO AMERICAN CORPORATION, HAS INCLUDED GENERAL COMMENTS ON THE SOUTH AFRICAN ECONOMY IN HIS STATEMENT ACCOMPANYING THE CORPORATION'S ANNUAL REPORT.

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2. CONTRARY TO THE RESTRAINED OPTIMISM EXPRESSED BY THE GOVERNMENT

AND MANY OTHER OBSERVERS, OPPENHEIMER SAYS ECONOMY IS " GOING THROUGH A DIFFICULT TIME". HE DOES NOT EXPECT A RENEWED UPSWING UNTIL NEXT YEAR AND THEN ONLY IF THE GOLD PRICE REMAINS HIGH, WORLD INTEREST RATES DECLINE AND CAPITAL INFLOW IS SUBSTANTIAL.

3. OPPENHEIMER NOTES THAT HIGHER GOLD PRICE GENERATED OPTIMISM IN EARLY 1973. OBSERVERS EXPECTED THAT THE IMPROVEMENT IN THE TERMS OF TRADE WOULD COMPENSATE FOR INFLATION AND ALLOW RAPID GROWTH WITHOUT SIGNIFICANT RESTRAINT FROM THE BALANCE OF PAYMENTS. HE SAYS THESE EXPECTATIONS " WENT WRONG" SINCE IMPORTS INCREASED MORE THAN EXPECTED AND WORLD INTERST RATES REMAINED HIGH. THE EXPECTATION THAT THE CURRENT DEFICIT WOULD BE MORE THAN OFFSET BY CAPITAL IMPORTS IN 1974 WAS ALSO UNREALIZED. RESULT IS THAT HIGH GOLD PRICE, INSTEAD OF BEING THE WIND-

FALL IT WAS AT FIRST CONSIDERED, HAS BECOME " POSITIVELY NECESSARY FOR THE COUNTRY'S ECONOMIC WELL-BEING."

4. ON LONGER-TERM OUTLOOK OPPENHEIMER WARNS AGAINST COMPLACENCY. HE SAYS INDUSTRIAL STRUCTURE IS CHANGING AND WORKING PEOPLE ARE " BEGINNING TO ASSERT THEIR WISHES". OTHER COUNTRIES HAVE GONE THROUGH THIS STAGE BUT SOUTH AFRICA MUST MAKE THE ADJUSTMENT TO AN INDUSTRIALIZED SOCIETY WITH ADDED COMPLICATIONS CAUSED BY RACE PROBLEMS. HE CONCLUDES THAT " IT WOULD BE WRONG TO EXPECT" COUNTRY TO ADJUST WITHOUT "TENSION, FRICTION AND SOME DISTURBANCE."

3. COMMENT. OPPENHEIMER IS DISTINCTLY LESS HOPEFUL ABOUT IMMEDIATE FUTURE THAN ARE MOST OBSERVERS. HIS OBSERVATIONS ON THE COUNTRY'S INCREASED DEPENDENCE ON HIGH GOLD PRICE SHOULD BE A SOBERING REMINDER THAT PRICE CAN GO DOWN AS WELL AS UP AND THAT SUPPOSED FLOOR OF \$170 AFTER FRENCH REVALUATION OF GOLD RESERVES HAS ALREADY BEEN BREACHED. ( LATEST LONDON PRICE IS \$166.) HIS REMARKS ABOUT CAPITAL IMPORTS ARE A LITTLE CURIOUS. IT IS TRUE THAT CAPITAL IMPORTS DID NOT OFFSET CURRENT DEFICIT LAST YEAR, BUT OVERALL ( CURRENT AND CAPITAL) DEFICIT WAS LESS THAN \$150 MILLION, NOT AN ALARMING FIGURE FOR THE FIRST YEAR TO FEEL THE FULL EFFECTS OF A QUADRUPLING OF OIL PRICES. THAT THE FUTURE DEPENDS ON CONTINUED HEAVY CAPITAL IMPORTS, AS WELL AS A HIGH GOLD PRICE. IS HOWEVER UNDENIABLE, AS IS THE FACT THAT RACE PROBLEMS ADD TO THE STRAINS EXPERIENCED BY ANY RAPIDLY DEVELOPING ECONOMY.

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## Message Attributes

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